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## **FOR IMMEDIATE RELEASE**

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### **Attorney General Terry Goddard joins 20 Attorneys General to Settle Unfair Trade Practices Claims Against MEDCO Health Solutions**

(Phoenix, Ariz. – April 26, 2004) Attorney General Terry Goddard today announced an historic settlement with Medco, the largest pharmacy benefit management company in the United States for violating state deceptive practices laws.

The state began investigating Medco's drug switching practices two years ago. The lawsuit filed today alleges that Medco encouraged prescribers to switch patients to different prescription drugs but failed at times to pass on the resulting savings to patients or their health care plans. These drug switches generally benefited Medco despite Medco's claims that they saved patients and health plans money. Medco did not tell prescribers or patients that the switches would increase rebate payments from drug manufacturers to Medco. The state alleges that the drug switches resulted in increased costs to health plans and patients, primarily in follow-up doctor visits and tests. For example, Medco switched patients from certain cholesterol lowering medications to Zocor, but that switch required patients to usually receive follow-up blood tests.

Arizona is eligible to receive more than \$600,000, dispersed either through cash or drug cards. The state has 90 days to decide how to implement the settlement. In addition, Arizona will receive approximately \$200,000 in costs and attorneys' fees.

"This is an historic agreement because it puts the decision about prescription drug usage in the right hands – the prescriber and the patient instead of the pharmacy benefit management company," Goddard said. "Patients will now know if they save money if their drugs are switched, and more importantly, patients will be able to decline the drug switch."

Along with the monetary component of the settlement, Medco has agreed to important changes in the way it does business. These changes include the following:

- Medco will have to disclose what financial incentives it gains when switching the drugs;
- When soliciting physician authorization for a drug-interchange, Medco shall disclose cost savings both to the plan and to the patient
- Medco can't switch a patient's drugs without express verifiable authorization from the prescriber;
- Medco will tell the prescriber about side effects of the proposed drug;
- Medco will reimburse patients for interchange-related costs;
- Medco will disclose its policy to reimburse interchange-related health care costs when providing patients with confirmation of interchanges authorized by the physician of the patient;
- Notification of physician-authorized drug interchanges will be given to consumers by telephone alert within 24 hours followed by full written disclosure of relevant terms, including potential health effects and/or side effects of the proposed drug. Together with the right to reverse a switch, this new prompt notice allows consumers to reject unwanted switches;
- Medco shall provide a toll-free telephone number at which the patient may obtain further information regarding the interchanged drug or may reject a proposed drug interchange;
- Medco shall not engage in repeated interchanging of patients within the same therapeutic class.

Arizona joined 19 other states in this settlement, which totaled \$20 million nationwide. This agreement represents ground-breaking changes in the operation of a PBM, which serves over 62 million people nationwide. It means consumers and their health care providers will get all the information they need to make informed decisions regarding their medication.

The states participating in the settlement are: Arizona, California, Connecticut, Delaware, Florida, Illinois, Iowa, Louisiana, Maine, Maryland, Massachusetts, Nevada, New York, North Carolina, Oregon, Pennsylvania, Texas, Vermont, Virginia and Washington.

**Note to editors: For interview requests related to this story, please contact Andrea M. Esquer at 602-542-8019.**

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